



Better Banking

Interim Report

Six Months Ended September 30, 2002

2002

Growing banking portfolio supports
financially sound and profitable institution

Better Banking

Products and services that meet
customer needs



Institutional Banking

Corporate/Financial Institutions Banking

Loan Origination

Non-Recourse Finance

Securitization/Credit Trading

Corporate Advisory/Mergers and Restructurings

Capital Markets Trading

Asset Management

Retail Banking

The *PowerFlex* Account

24x7 Banking via:

International ATM Network

PowerDirect Internet Banking

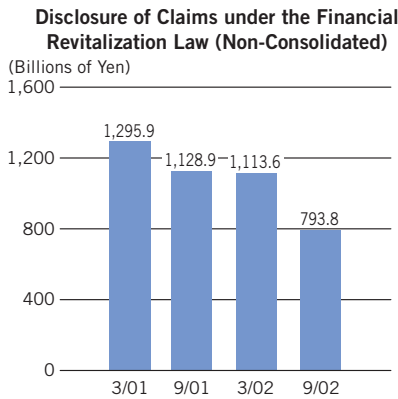
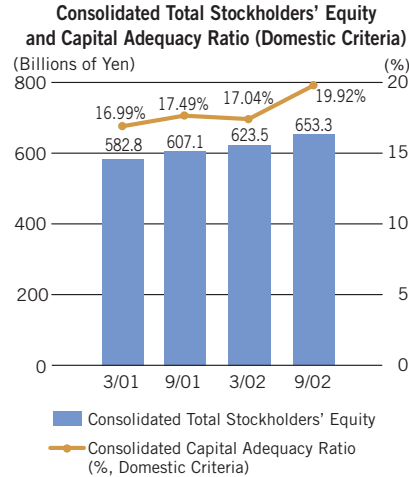
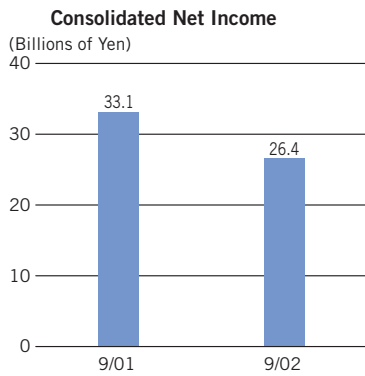
PowerCall Telephone Banking

PowerSmart Housing Loans

Shinsei Financial Centers



SHINSEI BANK



Summary of 2002 Events

2002	May	Formation of trade services alliance with ABN AMRO Bank N.V.
	July	Opening of Hiroo branch
	August	Relocation of Kyoto branch
		Formation of business tie-up with Ramius Capital Group, LLC, enabling the Bank to exclusively offer its clients investment vehicles managed by Ramius
		Agreement with Mellon Financial Corporation to form a joint venture investment advisory and trust company that will offer investment management services to the Japanese pensions market
	October	Offering of four annuity products for individuals
	November	Commencement of operations of Shinsei Business Finance Co., Ltd., which focuses on lending to small businesses
		Relocation of Shinjuku branch

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Profile (Consolidated)

(As of September 30, 2002)

Establishment	December 1952
Total Assets	¥7,699.2 billion
Debentures	¥2,188.6 billion
Deposits, Including Negotiable Certificates of Deposit (NCDs)	¥2,633.1 billion
Loans and Bills Discounted	¥3,883.5 billion
Securities	¥2,246.0 billion
Total Stockholders' Equity	¥653.3 billion
Consolidated Capital Adequacy Ratio	19.92%
Non-Consolidated Capital Adequacy Ratio	19.08%
Number of Employees (Non-Consolidated)	2,226
Branches	
Domestic	27
Overseas	1 Branch, 1 Representative Office

Forward-Looking Statements

This interim report contains statements that constitute forward-looking statements. These statements appear in a number of places in this interim report and include statements regarding our intent, belief, or current expectations and/or the current belief or current expectations of our officers with respect to the results of our operations and the financial condition of the Bank and its subsidiaries. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Our forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and actual results may differ from those in such forward-looking statements as a result of various factors.

To Our Customers, Partners and Stakeholders

After nearly three years since starting as the new Shinsei Bank, I am pleased to report in the six months ended September 30, 2002, we have made steady progress in our business development. Economic conditions in Japan remain severe, and companies are seeking to adapt to the difficult operating environment by undertaking fundamental restructuring and transcending traditional business approaches. I believe new business opportunities for the Bank will arise from such efforts.

Shinsei is committed to provide better banking for Japanese customers. To do so, we will continuously strive to further improve our asset quality and profit-generating abilities and offer a stream of new and innovative ideas, products and services that answer our customers' needs.

Interim Financial Results for the Six Months Ended September 30, 2002

For the six months ended September 30, 2002, consolidated gross business profit, including income from investment in money held in trust, totaled ¥52.0 billion. This was down ¥12.6 billion from the same period the previous year, due mainly to a ¥12.0 billion loss in U.S. corporate bond investments, reflecting the tough economic environment in the United States. Income from the investment banking business, our strategic focus area, showed steady growth despite the severe business conditions.

For the six-month period under review, the Bank posted consolidated net income of ¥26.4 billion, down ¥6.7 billion. On a non-consolidated basis, net income was ¥29.8 billion, almost on a par with the ¥30.2 billion recorded for the same period the previous year, and amounted to more than half the full fiscal 2002 target of ¥58.6 billion set out in the initial *Plan for Restoring Sound Management*.

The Bank's consolidated capital adequacy ratio, based on domestic criteria, rose to a high of 19.92% at September 30, 2002.

Implementation of the New Business Model

Over the past three years, we have completely overhauled Shinsei's organization and infrastructure. Our goals have been consistent: to establish and grow two strategic businesses—retail and investment banking—and to steadily improve the quality of our assets. All along we have been expanding our capabilities and adding new services in our retail and investment banking areas by utilizing advanced banking and technological know-how.

As a result, in terms of profitability we made significant progress in these strategic areas during the period under review. For the six months ended September 30, 2002, non-interest income, such as fees and commissions earned in these areas, accounted for 32.6% of the Bank's gross business profit. This is well above our original target of 30% within three years of the launch of the new Bank, and builds on the 30.6% ratio achieved in fiscal 2001, ended March 31, 2002.

● Institutional Banking

In January 2002, we integrated the Financial Engineering Group and the Corporate Banking Business Group to form the Institutional Banking Group, which effectively performs the functions of the two former groups. This has enabled the Bank to offer the most complete solutions to varying customer needs.

Under the new structure, we have steadily expanded our business in new financial product areas where other Japanese banks have traditionally not played major roles and which are expected to exhibit high growth. These product areas include securitization; acquisition finance, such as management buyouts (MBOs); non-recourse real estate finance; and credit trading. We have also established a team specializing in corporate restructurings and have already helped several companies chart a course for better performance. We look for further growth in this area.

We have also expanded our non-banking business as a new source of earnings and are steadily developing our capabilities in this area. For instance, Shinsei Business Finance, which is a joint venture with Nissin Co., Ltd., has started offering loans for small to medium-sized businesses. In the area of loans secured by real estate, we helped EQUION COMPANY, LIMITED, and APOLLO FINANCE CO., LTD., quickly restructure operations and then incorporated the companies within our group.

● Retail Banking

In the retail banking business, we are happy to report that a growing number of Japanese retail banking customers have chosen Shinsei.

With *PowerFlex*, a new, comprehensive account based on completely revamped, open information technology (IT) systems, customers have easier access to products and services through such channels as Internet banking, a customer call center and automatic teller machines (ATMs), all of which are available 24 hours a day, 365 days a year. To offer better access to our services, we have also entered into an



alliance with IY Bank Co., Ltd., and Keihin Electric Express Railway Co., Ltd., to provide our customers access to the ATMs of these companies.

We have expanded our product lineup by offering Shinsei American Express Cards and annuity products.

In the home loan area, we have started offering *PowerSmart* housing loans, designed for the current low-interest and deflationary environment. This product provides prepayment options to customers, allowing them to easily reduce interest payments.

Improved Asset Quality and Strict Risk Management

We have worked hard to reduce non-performing loans, by accepting repayments from customers either through voluntary fundraising or arranging for the sale or securitization of assets; or by selling loans, depending on the customer's business situation. During the six-month period under review, the Bank's non-performing loans dropped ¥319.8 billion.

In lending, we have been moving to charge loan interest rates tied to the creditworthiness of the customer. Our newly introduced *Facility Rating System* takes into account the collateral coverage of each loan and allows us to make better and quicker credit decisions.

Risk management based on advanced techniques and approaches is one of the core elements of our banking discipline. Our state-of-the-art management information system (MIS) and risk management system enable us to capture the risks and returns of each group more accurately and speedily than before, allowing the groups to appropriately manage their operations by balancing the risks and returns.

Shinsei aims to be one step ahead by exploring and adopting new approaches that reflect the changing business environment. We focus on offering better products and services more quickly than traditional approaches would allow.

Through the implementation of transparent and sound management, we also look to improve the Bank's evaluation and ratings given by external rating agencies, to achieve sustainable long-term growth, and to pursue a listing in the future.

In building a better Shinsei, we will become more attractive to our customers, our partners, our employees and the business and social communities in which we operate.

January 2003

Masamoto Yashiro
Chairman, President and CEO

Building a Better Bank for Our Institutional Customers

In the first six months of fiscal 2002, the Institutional Banking Group continued to implement a new business model established in January 2002. The Institutional Banking Group's approach fosters strong teamwork between relationship managers and product experts in order to bring better banking solutions to existing and new customers.

Shinsei Business Finance

As part of our continued commitment to improving lending services to small and medium-sized companies, we laid the groundwork for a joint venture focused on small business lending with Nissin, a small-business financing company and long-time client. The joint venture, Shinsei Business Finance, was launched in November 2002.

By working closely with corporations and financial institutions of various sizes located throughout Japan and overseas, we were able to provide value-added lending and investment banking products and services to help manage both sides of their balance sheets. This included numerous private and public securitization, corporate advisory and specialty finance transactions that allowed customers to increase liquidity, improve return on equity (ROE), restructure businesses and improve competitiveness. We also gave customers access to new investment opportunities, including investment trusts and structured deposits that met their risk profiles.

In the challenging business environment, our corporate revitalization business is growing, with our specialized team proposing a variety of ideas to our customers.

Lending

In the area of lending, Shinsei Bank continued to make significant progress in strengthening its loan portfolio and services through the use of securitization, collateral and other financial tools. Going forward, emphasis will shift to increasing our lending business with sophisticated risk management and strong capitalization.

Specialty Finance

The Specialty Finance Division continued to build a strong, diverse and seasoned team. The non-recourse lending group saw robust growth in Japan, financing every major type of property class. It also developed a new type of non-recourse lending applicable to smaller properties. In the project and leveraged financing area, Shinsei worked with customers to find new solutions to increasingly complex business needs.

Securitization and Credit Trading

Shinsei Bank continued to build its securitization franchise in Japan during the first half of fiscal 2002.

In the mortgage-backed securitization area, the Bank issued its first commercial mortgage-backed securities (CMBS) transaction by securitizing a non-recourse loan for Yamato Life Building, Yamato Life Insurance Co.'s Tokyo headquarters. This transaction, which obtained AAA ratings from Standard & Poor's and Fitch Ratings, leveraged Shinsei's significant presence in the non-recourse loan market. It demonstrated our capability to arrange innovative securitization structures, as well as our highly developed understanding of customers' needs and our ability to meet the demands of a wide and deep investor network.

Shinsei Bank continued to be an active player in the asset-backed securitization (ABS) market as well. Shinsei's award-winning collateralized loan obligation (CLO) master trust funding program, a ground-breaking credit card-style master trust structure, successfully completed two new issuances by September 2002. This included the first non-yen issues.

As a result of these CMBS and ABS activities, Shinsei Bank was ranked third in the origination of Japanese deals in the *MCM Structured Finance Japan League Table* for 2002.



The Bank's credit trading business also grew, in line with the securitization and corporate revitalization businesses, achieving good results.

Corporate Advisory

In a highly competitive business environment, Shinsei Bank's M&A team continued to win business. In Bloomberg's Japanese M&A league tables for January to September 2002, Shinsei was ranked 18th, one of only seven Japanese institutions among the top 20 M&A dealers. In addition, the private equity team formally established a ¥10 billion private equity fund alliance with ITOCHU Corporation in July 2002.

Asset Management Services

Shinsei Bank's Asset Management Services Division continued to strengthen and expand its products and services offered to individual and institutional investors. The Division successfully launched three funds from European bond manager BlueBay Asset Management Limited, in which Shinsei Bank has an investment. In addition, Shinsei distributed capital-protected funds targeted at high-net-worth clients and managed by Zurich Capital Markets Inc. We also entered into exclusive distribution agreements for Japan with U.S.-based Ramius Capital Group, and with Investor Select Advisors Limited, and agreed to establish a joint venture with Mellon Financial Corporation.

Capital Markets Trading

The Markets Division's focus in the first half of fiscal 2002 was to respond and adapt to a significantly changed global market environment. Through the discontinuation of low-margin product lines, Shinsei Bank is now better positioned to take advantage of new and exciting business opportunities. We have already achieved notable successes in this effort, including the recent distribution of foreign currency-linked deposit notes to our existing customers.

Despite the difficult market environment, we enjoyed trading successes in the derivatives structuring and foreign exchange areas.

Shinsei Securities Co., Ltd.

Shinsei Securities continued to develop its investor franchise during the first half of fiscal 2002, participating in the third and fourth issues under the Shinsei Bank's CLO funding program. In addition, Shinsei Securities acted as sole lead manager for the first time since its creation in May 2001, including transactions involving the new asset classes of CMBS and consumer loans.

BM Asset Management Co., Ltd.

BM Asset Management, a consolidated subsidiary of the Bank, is rapidly enhancing its function as a servicer. In December 2002, it obtained a commercial mortgage special servicer rating of CSS3+ by Fitch Ratings. The company's name will change to Shinsei Servicing Company in February 2003.



Building a Better Bank for Our Retail Customers

Shinsei is committed to building a bank that retail customers want to do business with. We offer a better choice of products, easier access and a level of convenience that no other bank in Japan can match.



Customers Support *PowerFlex*: More Than ¥1 Trillion Deposited or Invested

Shinsei's *PowerFlex* account is at the core of the Bank's retail banking services. Since its introduction in June 2001, more and more customers have found *PowerFlex*'s unique services useful and attractive, with deposits and investments amounting to more than ¥1 trillion by September 2002. The average account balance per customer is approximately ¥4.6 million, reflecting the trust and support of our customers, who actively utilize *PowerFlex* as an ideal service for asset management.

More Investment Products to Satisfy Customers' Needs

To offer high-quality financial products to its retail customers, Shinsei has joined forces with premier financial institutions in the United States and Europe. In August 2002, we offered *PowerFlex* customers *Powered Japan—Risk-Reduced Nikkei Index Referring Fund 2002-09*, an investment trust set up by Prudential Investments Japan Co., Ltd., and the first fund distributed exclusively by the Bank; and in October 2002, we offered *GS Japan Neutral—Goldman Sachs Japan Equity Market Neutral Fund*, a market-neutral strategy fund established by Goldman Sachs Asset Management Co., Ltd. Both products were well received by our customers, with sales exceeding expectations.

The Bank has also become an exclusive sales agent in Japan for several investment products set up by Ramius Capital Group, for institutional and high-net-worth individual investors. We began offering such products in November 2002.



Keikyu Station Bank, Wing Takanawa shopping center

Improving Convenience through Nationwide ATM Coverage

Shinsei is also at the forefront in terms of ATM coverage. While ubiquitous in other markets, ATMs in Japan are usually only placed at bank branches or business locations. With Shinsei, however, ATM access has become the easiest in Japan. Today, through a network of over 60,000 ATMs, including at 7-Eleven stores, the post office and partner financial institutions, customers can now withdraw cash and perform simple transactions whenever and wherever they wish. Also, in March 2002, Shinsei launched the ATM service *Keikyu Station Bank* in Keihin Kyuko train stations, which has expanded the Bank's ATM services to even more popular locations. Additionally, based on our linkage with PLUS network, customers who travel overseas can access local currencies in other countries via about 750,000 ATMs.

Shinsei American Express Cards

In June 2002, Shinsei Bank tied up with American Express International, Inc. (Japan), whose strong global brand image and worldwide reputation for high-quality service will enhance the Bank's credit card business. Privileges, such as a waiver of fees in the first year, are being provided to *PowerFlex* customers to allow them the opportunity to experience the attractive services of Shinsei American Express Cards.

Personal Pension Insurance

Shinsei Bank began offering variable annuities and reserve and adjustable-rate annuities at all branches from October 2002, when deregulation of the insurance industry allowed banks to sell annuities for individuals. Such annuities are currently drawing enormous attention in Japan, where the declining birthrate and aging population are accelerating. To meet customers' changing needs, a variety of retirement funds and estate planning-related products are being developed. At Shinsei, *PowerFlex*, which provides total management of customers' assets, now includes annuity products for individuals.

Shinsei Financial Centers: Banking Made Easy

While other banks have consolidated or closed down branches in Japan, Shinsei opened two new Shinsei Financial Centers (SFCs) during the previous fiscal year, in Roppongi and Meguro, two of Tokyo's busiest districts. Since then, more Shinsei branches in major commercial areas have been upgraded into SFCs, bringing the total to 27—including Hiroo SFC, opened in July 2002—in major cities throughout Japan.

Our SFCs are aesthetically designed to meet the needs of today's Japanese retail banking customers. Streamlined, modern and comfortable, they are a showcase for better banking. Customers can transact business quickly and efficiently with the security of knowing that staff are available for assistance if necessary. While most other banks' branches close at 3 p.m. on weekdays, SFCs are open until 7 p.m. In addition, at several SFCs, customers may be seen sipping cappuccino at Starbucks, which, in cooperation with Shinsei, has positioned a number of coffee shops next door to these high-traffic centers. And, as a result of a tie-up with Yahoo!, one of Japan's leading Internet providers, Shinsei has established a broadband Internet service at the SFC in the Head Office building.

Where to Next

The secret to Shinsei Bank's success is doing things better, and doing them first. Customers in Japan are no longer willing to settle for a banking approach that merely maintains the current value of their investment. Shinsei offers added value—and customers love it.

The Bank's initial success with building a credible retail banking presence has not slowed its determination to go further. With its focus on operations and efficiency, Shinsei will continue to expand its retail base while lowering the acquisition, transaction and service costs per customer. We aim to be ahead of the competition in service, products and convenience. As the demands of Japanese consumers increase, Shinsei will become the bank of choice.

We look forward to these ongoing challenges.



Shinsei American Express Gold Card

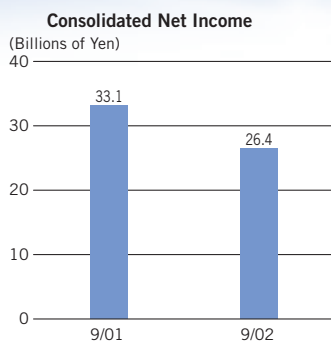


Shinsei American Express Card



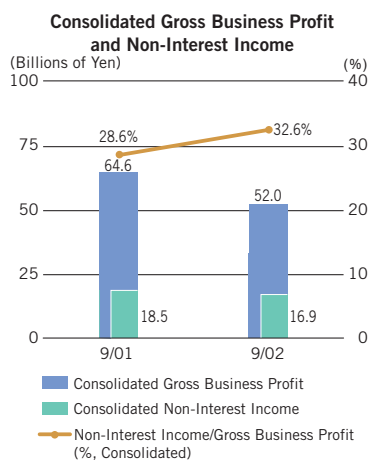
SFC, Shinjuku, Tokyo

Summary of Performance



Consolidated Net Income

For the first half of fiscal 2002, ending March 31, 2003, consolidated net income totaled ¥26.4 billion. Although the Bank achieved steady growth in income from investment banking activities, the result was affected by a ¥12.0 billion loss on U.S. corporate bond investments, reflecting the economic slowdown in the United States.

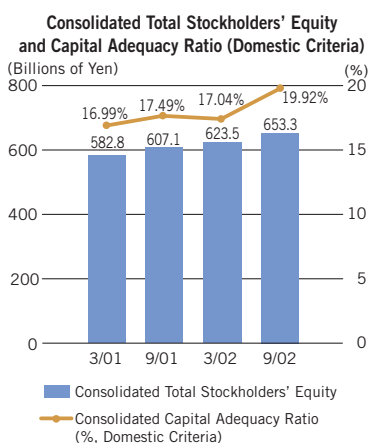


Consolidated Gross Business Profit and Non-Interest Income

Consolidated non-interest income, including gain on money held in trust, totaled ¥16.9 billion, accounting for 32.6% of gross business profit of ¥52.0 billion.

The Bank has now achieved its goal of generating 30% of gross business profit from income other than net interest income, such as fees and commissions through investment banking operations. This goal has thus been reached in less than the initial target of within three years of the launch of the new Bank.

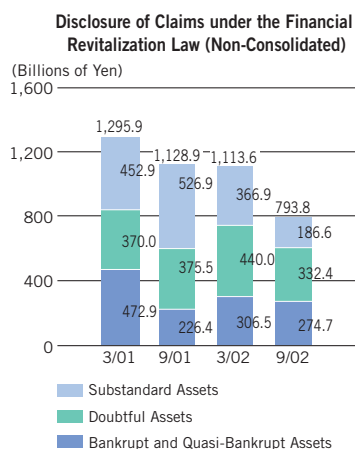
Note: Gross business profit = Net interest income + Net fees and commissions + Net trading revenue + Net other income from operations + Gain (loss) on money held in trust



Consolidated Total Stockholders' Equity and Capital Adequacy Ratio (Domestic Criteria)

At the close of the interim term, consolidated total stockholders' equity was higher than at the end of the previous fiscal year, at ¥653.3 billion.

The capital adequacy ratio, based on domestic criteria, was up 2.88 percentage points at the end of the interim term, from 17.04% at the end of fiscal 2001, to 19.92%.



Disclosure of Claims under the Financial Revitalization Law (Non-Consolidated)

Please see pages 10–11 for further information.

Consolidated Financial Highlights

Shinsei Bank, Limited and Consolidated Subsidiaries
For the Six Months Ended September 30, 2002 and 2001, and the Year Ended March 31, 2002

	Billions of Yen			Millions of U.S. Dollars
	Sept. 30, 2002 (6 months)	Sept. 30, 2001 (6 months)	Mar. 31, 2002 (1 year)	Sept. 30, 2002 (6 months)
For the Fiscal Terms Ended				
Total Income	¥ 111.8	¥ 150.1	¥ 246.5	\$ 912
Total Expenses	89.8	116.7	206.2	732
Income before Income Taxes and Minority Interests	21.9	33.4	40.3	178
Net Income	26.4	33.1	61.2	215
Balances at the End of				
Total Assets	¥7,699.2	¥8,626.9	¥8,069.5	\$62,799
Loans and Bills Discounted	3,883.5	5,329.1	4,801.9	31,676
Securities	2,246.0	2,026.9	1,462.2	18,319
Cash and Due from Banks	274.6	400.8	342.0	2,240
Debentures	2,188.6	3,704.4	2,786.3	17,851
Deposits, Including NCDs	2,633.1	2,400.3	2,260.7	21,477
Total Stockholders' Equity	653.3	607.1	623.5	5,329
Per Common Share (in Yen and U.S. Dollars)				
Net Income	¥ 9.74	¥ 11.50	¥ 21.11	\$ 0.08
Diluted Net Income	6.53	8.19	15.10	0.05
Cash Dividends Declared during the Period:				
Common Stock	—	0.55	1.11	—
Preferred Stock:				
Series 2	—	6.50	13.00	—
Series 3	—	2.42	4.84	—
Total Stockholders' Equity	116.49	99.49	105.50	0.95
Ratio				
Risk-Weighted Capital Adequacy Ratio (Domestic Criteria)	19.92%	17.49%	17.04%	

Notes: 1. All U.S. dollar amounts above, presented solely for the reader's convenience, are translated at ¥122.60 = U.S.\$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2002.
2. Since the current six-month period, the Bank and its consolidated subsidiaries have adopted Financial Accounting Standard No. 2 "Accounting Standard for Earnings per Share" issued by the Accounting Standards Board of Japan (ASBJ) on September 25, 2002, and Financial Accounting Standards Implementation Guidance No. 4 "Accounting Standard for Earnings per Share" issued by the ASBJ on September 25, 2002.

Non-Consolidated Financial Highlights

Shinsei Bank, Limited
For the Six Months Ended September 30, 2002 and 2001, and the Year Ended March 31, 2002

	Billions of Yen			Millions of U.S. Dollars
	Sept. 30, 2002 (6 months)	Sept. 30, 2001 (6 months)	Mar. 31, 2002 (1 year)	Sept. 30, 2002 (6 months)
For the Fiscal Terms Ended				
Total Income	¥ 107.2	¥ 137.3	¥ 231.1	\$ 874
Total Expenses	82.3	106.9	191.4	671
Income before Income Taxes	24.9	30.3	39.6	203
Net Income	29.8	30.2	60.7	243
Balances at the End of				
Total Assets	¥7,921.7	¥9,053.5	¥ 8,366.6	\$64,614
Loans and Bills Discounted	4,000.4	5,447.7	5,012.1	32,630
Securities	2,264.2	2,045.2	1,493.0	18,468
Cash and Due from Banks	274.7	484.0	376.3	2,241
Debentures	2,154.3	3,585.2	2,735.2	17,572
Deposits, Including NCDs	2,688.1	2,586.5	2,384.0	21,926
Total Stockholders' Equity	650.4	598.9	617.3	5,305
Per Common Share (in Yen and U.S. Dollars)				
Net Income	¥ 10.99	¥ 10.43	¥ 20.92	\$ 0.09
Cash Dividends Declared during the Period:				
Common Stock	—	0.55	1.11	—
Preferred Stock:				
Series 2	—	6.50	13.00	—
Series 3	—	2.42	4.84	—
Total Stockholders' Equity	115.40	96.45	103.21	0.94

Notes: 1. All U.S. dollar amounts above, presented solely for the reader's convenience, are translated at ¥122.60 = U.S.\$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on September 30, 2002.
2. Since the current six-month period, the Bank has adopted Financial Accounting Standard No. 2 "Accounting Standard for Earnings per Share" issued by the ASBJ on September 25, 2002, and Financial Accounting Standards Implementation Guidance No. 4 "Accounting Standard for Earnings per Share" issued by the ASBJ on September 25, 2002.

Summary of Consolidated Statements of Income and Balance Sheets

For the first half of fiscal 2002, ending March 31, 2003, Shinsei Bank posted consolidated interim net income of ¥26.4 billion, down from ¥33.1 billion in the first half of fiscal 2001. The decrease was partly owing to a ¥12.0 billion loss in U.S. corporate bond investments, reflecting the tough economic environment in the United States, but was mitigated by higher income from other investment banking activities.

Consolidated net interest income for the interim period amounted to ¥35.0 billion, a decrease of ¥11.0 billion compared with the corresponding period in the previous year, and comprised interest income of ¥60.2 billion, less interest expenses of ¥25.1 billion.

Non-interest income (excluding gain on money held in trust), net, comprising fees and commissions, trading revenue and other operating income, less expenses for fees and commissions and other operating expenses, was ¥9.9 billion. In addition, as a result of our investment banking business operations, we posted ¥7.0 billion in gain on money held in trust, which is included in other income. General and administrative expenses increased ¥0.5 billion compared with the corresponding period in the previous year, to ¥34.4 billion.

On the balance sheet, as of September 30, 2002, total assets amounted to ¥7,699.2 billion, or ¥370.3 billion lower than at March 31, 2002. Loans and bills discounted declined ¥918.3 billion compared with March 31, 2002, to ¥3,883.5 billion. This reflected a continued trend among major corporations to reduce bank borrowings as well as weak demand for capital expenditure-related finance. On a non-consolidated basis, the Bank disposed of ¥283.1 billion in problem assets through such means as direct write-off and the assignment of loans to third parties, including the Deposit Insurance Corporation (DIC).

On the liabilities side, debentures decreased ¥597.6 billion compared with March 31, 2002, to ¥2,188.6 billion. Deposits, including negotiable certificates of deposit (NCDs), increased ¥372.3 billion compared with March 31, 2002, to ¥2,633.1 billion, helped by an increase in retail deposits of approximately ¥400 billion. This marked the first time the Bank's balance of deposits exceeded that of debentures. While debentures remain an important funding source for the Bank, we put more weight on deposits.

For the interim period under review, the Bank did not declare interim dividends for preferred stock or common stock.

Consequently, total stockholders' equity increased ¥29.8 billion, to ¥653.3 billion at September 30, 2002.

Summary of Non-Consolidated Statements of Income and Balance Sheets

Non-consolidated interim net income totaled ¥29.8 billion. Net interest income for the interim period amounted to ¥39.6 billion, a ¥5.0 billion decrease from the corresponding period in the previous year. This comprised interest income of ¥65.1 billion, less interest expenses of ¥25.5 billion. General and administrative expenses increased ¥0.4 billion, to ¥32.8 billion.

On the balance sheet, as of September 30, 2002, non-consolidated total assets amounted to ¥7,921.7 billion, or ¥444.8 billion lower than at March 31, 2002. This decline was partly owing to the disposal of problem assets of ¥283.1 billion, including direct write-offs and the assignment of loans to third parties, including the DIC. The balance of loans and bills discounted decreased ¥1,011.7 billion, to ¥4,000.4 billion.

On the liabilities side, debentures fell ¥580.9 billion compared with March 31, 2002, to ¥2,154.3 billion on a non-consolidated basis. Deposits, including NCDs, increased ¥304.0 billion compared with March 31, 2002, to ¥2,688.1 billion. The Bank's balance of deposits surpassed debentures for the first time.

On a non-consolidated basis, total stockholders' equity at the end of the interim period amounted to ¥650.4 billion.

Asset Quality and Disposal of Problem Assets (Non-Consolidated)

Disclosure of Claims under the Financial Revitalization Law (Non-Consolidated)

As of September 30, 2002, the Bank's exposure, according to the disclosure criteria specified in the Financial Revitalization Law, was ¥793.8 billion, a reduction of ¥319.8 billion compared with March 31, 2002. Within this sum, bankrupt and quasi-bankrupt claims were down ¥31.8 billion compared with the previous fiscal year-end, to ¥274.7 billion, doubtful claims decreased ¥107.5 billion, to ¥332.4 billion and substandard claims were down ¥180.3 billion, to ¥186.6 billion.

Loans to borrowers requiring caution, which includes the substandard claims mentioned above, totaled ¥496.0 billion as of September 30, 2002, down ¥431.3 billion compared with the previous fiscal year-end. The total amount of loans to borrowers requiring caution or below was down ¥570.8 billion, to ¥1,103.2 billion.

Disclosure of Claims under the Financial Revitalization Law (Non-Consolidated)

	Millions of Yen		
	Sept. 30, 2002	Mar. 31, 2002	Change
Bankrupt and Quasi-Bankrupt (A)	¥ 274,714	¥ 306,566	¥ (31,852)
Doubtful (B)	332,490	440,069	(107,579)
Substandard (C)	186,603	366,985	(180,382)
Total (D) [(A)+(B)+(C)]	¥ 793,808	¥1,113,621	¥ (319,813)
Total Credit Amount (E)	4,363,938	5,565,658	(1,201,719)
Ratio (D) / (E) (%)	18.19%	20.01%	(1.82)

Coverage Ratios (Non-Consolidated)

Coverage ratios for claims classified under the Financial Revitalization Law, which comprise the total of collateral pledged against claims, guarantees for claims and reserve for loan losses to total claims as of September 30, 2002, were 100.00% for bankrupt and quasi-bankrupt, 93.31% for doubtful and 79.36% for substandard. For all claims

classified, the coverage ratio was 92.35%.

The Bank does not make direct write-offs of the portion of claims that are estimated to be uncollectible. However, if such write-offs were made at an estimated amount of ¥48.7 billion, the coverage ratio for all classified claims would have been 91.84%.

Coverage Ratios for Non-Performing Claims Disclosed under the Financial Revitalization Law (Non-Consolidated)

	Millions of Yen				
	Amount of Claims	Amounts of Coverage			Coverage Ratio
Reserve for Loan Losses		Collateral and Guarantees	Total		
Balance at March 31, 2002					
Bankrupt and Quasi-Bankrupt	¥ 306,566	¥ 61,617	¥244,948	¥306,566	100.00%
Doubtful	440,069	113,066	293,166	406,233	92.31
Substandard	366,985	119,896	100,728	220,624	60.12
Total	¥1,113,621	¥294,580	¥638,843	¥933,424	83.82%
Balance at September 30, 2002					
Bankrupt and Quasi-Bankrupt	¥274,714	¥ 99,067	¥175,646	¥274,714	100.00%
Doubtful	332,490	104,387	205,850	310,238	93.31
Substandard	186,603	45,718	102,372	148,091	79.36
Total	¥793,808	¥249,174	¥483,869	¥733,044	92.35%

Definitions of Claims Classified under the Financial Revitalization Law

The asset quality of the following balance sheet items is assessed under the Financial Revitalization Law: loans and bills discounted, foreign exchange, securities lent, accrued income and suspense payment in other assets, and customers' liabilities for acceptances and guarantees. The quality of these assets is categorized as follows on the basis of the financial condition and operating performance of the obligor.

Bankrupt and Quasi-Bankrupt

Claims against obligors under bankruptcy or as provided for under the Bankruptcy Law, the Corporate Rehabilitation Law, the Civil Rehabilitation Law and similar laws and obligors in similar condition.

Doubtful

Claims against obligors that are not yet in bankruptcy but have experienced deterioration in their financial condition and operating performance and for which there is a high probability of contractual defaults on principal and interest payments.

Substandard

Past due loans three months or more and restructured loans, excluding those categorized as bankrupt, quasi-bankrupt or doubtful.

Normal

Claims against obligors that are experiencing no particular problems with financial condition or operating performance and excluding claims in the three categories defined above.

Disposal of Problem Assets during the Interim Period (Non-Consolidated)

During the first half of fiscal 2002, the Bank posted a reversal of general reserve for loan losses of ¥76.0 billion and a provisioning of specific reserve for loan losses of ¥73.0 billion, resulting in net reversal to reserve for loan

losses for the interim period of ¥3.0 billion on a non-consolidated basis.

Consequently, total credit costs amounted to a reversal of ¥2.6 billion, including write-offs and other losses on loan sales.

Breakdown of Disposal of Problem Assets (Non-Consolidated)

For the Fiscal Terms Ended	Millions of Yen	
	Sept. 30, 2002	Sept. 30, 2001
Write-Offs	¥ 23	¥ —
Other Losses on Loan Sales	377	—
Subtotal	¥ 401	¥ —
General Reserve for Loan Losses	(76,088)	834
Specific Reserve for Loan Losses	73,039	826
Country Risk Reserve	(32)	(49)
Subtotal	(3,081)	1,611
Total Credit Costs	¥ (2,680)	¥1,611

Reserve for Loan Losses (Non-Consolidated)

As of September 30, 2002, the Bank's general reserve for loan losses was ¥98.0 billion, a reduction of ¥94.2 billion compared with the previous fiscal year-end; the specific reserve for loan losses was up ¥45.9 billion, to ¥224.9 billion; and the reserve for loans to restructuring countries was almost unchanged at ¥0.1 billion. Total reserve for

loan losses amounted to ¥323.1 billion, a reduction of ¥48.3 billion compared with the previous fiscal year-end. The ratio of reserve for loan losses to total credit stood at 7.40%.

During the interim period, ¥45.1 billion of reserve was used for write-offs and sales of loan-related assets.

Reserve for Loan Losses (Non-Consolidated)

	Millions of Yen		
	Sept. 30, 2002	Mar. 31, 2002	Change
General Reserve	¥ 98,052	¥ 192,350	¥ (94,298)
Specific Reserve	224,943	178,954	45,989
Reserve for Loans to Restructuring Countries	113	156	(43)
Total Reserve (A)	¥ 323,109	¥ 371,461	¥ (48,352)
Total Credit Amount (B)	¥4,363,938	¥5,565,658	¥(1,201,719)
Ratio (A) / (B) (%)	7.40%	6.67%	0.73

Risk-Monitored Loans

The balance of risk-monitored loans on a non-consolidated basis stood at ¥748.8 billion as of September 30, 2002, down ¥295.2 billion compared with March 31, 2002. Loans to borrowers in bankruptcy decreased ¥4.3 billion, to ¥196.2 billion; past due loans were down ¥110.4 billion, to ¥365.9 billion; past due loans three months or

more increased ¥34.0 billion, to ¥127.1 billion; and restructured loans decreased ¥214.4 billion, to ¥59.4 billion.

The balance of risk-monitored loans on a consolidated basis at the end of the interim period stood at ¥750.2 billion, or almost the same level as the non-consolidated balance.

Risk-Monitored Loans (Non-Consolidated)

	Millions of Yen		
	Sept. 30, 2002	Mar. 31, 2002	Change
Loans and Bills Discounted	¥1,000,463	¥5,012,174	¥(1,011,711)
Loans to Borrowers in Bankruptcy (A)	196,299	200,693	(4,394)
Past Due Loans (B)	365,936	476,377	(110,441)
Total (A) + (B)	562,236	677,070	(114,834)
(Ratio to Total Loans and Bills Discounted) (%)	14.05%	13.51%	0.54
Past Due Loans Three Months or More (C)	¥ 127,140	¥ 93,075	¥ 34,065
Restructured Loans (D)	59,463	273,909	(214,446)
Risk-Monitored Loans (A) + (B) + (C) + (D)	748,840	1,044,056	(295,216)
(Ratio to Total Loans and Bills Discounted) (%)	18.72%	20.83%	(2.11)
Reserve for Loan Losses	¥ 323,109	¥ 371,461	¥ (48,352)
Reserve Coverage Ratio (%)	43.15%	35.58%	7.57

Risk-Monitored Loans (Consolidated)

	Millions of Yen		
	Sept. 30, 2002	Mar. 31, 2002	Change
Loans and Bills Discounted	¥8,883,522	¥4,801,904	¥(918,382)
Loans to Borrowers in Bankruptcy (A)	196,531	200,697	(4,166)
Past Due Loans (B)	366,935	475,200	(108,265)
Total (A) + (B)	563,467	675,898	(112,430)
(Ratio to Total Loans and Bills Discounted) (%)	14.51%	14.08%	0.43
Past Due Loans Three Months or More (C)	¥ 127,140	¥ 93,568	¥ 33,572
Restructured Loans (D)	59,600	274,049	(214,449)
Risk-Monitored Loans (A) + (B) + (C) + (D)	750,209	1,043,516	(293,307)
(Ratio to Total Loans and Bills Discounted) (%)	19.32%	21.73%	(2.41)
Reserve for Loan Losses	¥ 322,637	¥ 370,033	¥ (47,396)
Reserve Coverage Ratio (%)	43.01%	35.46%	7.55

Definitions of Risk-Monitored Loan Categories

Risk-monitored loan is the collective term referring to loans to borrowers in bankruptcy, past due loans, past due loans three months or more and restructured loans.

These disclosure categories do not take account of possible recoveries through the disposal of collateral pledged against such loans. Therefore, these figures are not meant to imply that the full amounts are uncollectible. Definitions of risk-monitored loans are as follows.

Loans to Borrowers in Bankruptcy

Loans to borrowers in bankruptcy are those loans for which interest is not being accrued, because payments of interest and/or principal have been in arrears for a substantial period or, for other reasons, the collection or payment of the principal and/or interest is deemed unlikely and for which at least one of the following circumstances is applicable:

- The borrower has requested protection under the provisions of the Corporate Rehabilitation Law and the Civil Rehabilitation Law.
- The borrower has requested liquidation procedures under the Commercial Code of Japan or similar legal provisions.
- The borrower has begun liquidation/reorganization procedures under bankruptcy laws of a foreign country or under similar legal provisions.
- The borrower's transactions with the promissory note clearing-house in Japan have been suspended.

Past Due Loans

Past due loans are those loans for which interest is not being accrued, after the exclusion of loans to borrowers in bankruptcy and loans for which delays in interest payments have been granted with the objective of corporate restructuring or assisting the obligor.

Please note that from the fiscal year ended March 31, 2000, unpaid interest on loans classified in self-assessments under the criteria of the Financial Revitalization Law as loans to borrowers in bankruptcy, loans under quasi-bankruptcy or doubtful has not been accrued.

Past Due Loans Three Months or More

Past due loans three months or more are those loans for which principal or interest has not been received for a period of three months or more from the contractual payment date. This category excludes loans to borrowers in bankruptcy and past due loans as defined above.

Restructured Loans

Restructured loans are those loans for which the Bank has made certain concessions to borrowers with the objectives of restoring the soundness of their operations, including the reduction of interest, the granting of a grace period for interest and/or principal payments, the forgiveness of the Bank's claims or the employment of other measures favorable to the borrower. This category excludes loans to borrowers in bankruptcy, past due loans and past due loans three months or more as described above.

Definitions of Reserve for Loan Losses

The Bank makes provisions to the reserve for loan losses based on established criteria for write-offs and reserves according to the types of claims specified in the operating guidelines set forth by the Japanese Institute of Certified Public Accountants (JICPA), as follows:

- For claims on borrowers in the normal and caution, including special supervision segment self-assessment categories, provisions are made to the general reserve for loan losses, based on the Bank's own historical experience of defaults.
- For claims on borrowers in the possible bankruptcy category, the expected amount of recoveries from collateral and guarantees is subtracted from the claim, and the portion of the remaining amount is made as a provision to the specific reserve for loan losses. Similarly, for claims on borrowers in the virtual bankruptcy and legal bankruptcy categories, the expected amount of recoveries from collateral and guarantees is subtracted from the claim, and the remaining amount is made as a provision to the specific reserve.

These provisions are made on the basis of self-assessments, which are performed by the operating unit in charge of the asset and then audited by an asset-auditing section independent of the operating unit. Provisions to the reserve are based on the results of this review and auditing process.

Specific Reserve for Loan Losses

When it is clear that the collection of individual loans and other claims is likely to be impossible, the Bank makes provisions to the specific reserve for loan losses to provide for future losses.

When such claims appear likely to be uncollectible because of an application for commencement of bankruptcy proceedings under the Corporate Rehabilitation Law, or the obligor has shown negative net worth for an extended period, or other standards become applicable under tax laws, the Bank subtracts the amount of collateral or other coverage from the amount of the loan and is allowed to make provisions for the remainder on a non-taxable or taxable basis.

The Bank has also taken into account the precondition of exercise of the cancellation right in estimating the reserve amount. Under the warranty of loan-related assets described in the Share Purchase Agreement, which the Deposit Insurance Corporation (hereinafter referred to as "DIC"), the Long-Term Credit Bank of Japan, Ltd. (hereinafter referred to as "LTCB"), and New LTCB Partners C.V. (hereinafter referred to as "Partners"), agreed and executed on February 9, 2000, a precondition of exercise of the cancellation right is the existence of a defect and a 20% reduction of value.

Reserve for Loans to Restructuring Countries

Provisions are made to the reserve for loans to restructuring countries to provide for losses expected due to political and economic conditions in the countries where the loans are outstanding.

Capital Adequacy Ratio

As of September 30, 2002, the Bank's consolidated capital adequacy ratio increased 2.88 percentage points, from 17.04% as of March 31, 2002, to 19.92%.

Capital Adequacy Ratio (Consolidated)

	Millions of Yen		
	Sept. 30, 2002	Sept. 30, 2001	Mar. 31, 2002
Basic Items (Tier I) (A)	¥ 640,907	¥ 589,169	¥ 614,319
Capital	451,296	451,296	451,296
Supplementary Items (Tier II)			
Difference in Book Value Arising from Revaluation, after 55% Discount	—	—	—
General Reserve for Loan Losses	30,731	37,134	35,995
Subordinated Debt	309,069	413,685	332,196
Total	339,800	450,820	368,191
(Amount Eligible for Inclusion in Capital) (B)	339,800	450,820	368,191
Deduction (C)	883	568	639
Total Capital (D) [(A) + (B) – (C)]	¥ 979,823	¥1,039,420	¥ 981,871
Risk Assets			
On-Balance-Sheet Items	4,425,367	5,722,881	5,270,185
Off-Balance-Sheet Items	491,669	218,620	489,097
Total (E)	¥4,917,037	¥5,941,501	¥5,759,283
Consolidated Capital Adequacy Ratio (Domestic Criteria) (D) / (E) (%)	19.92%	17.49%	17.04%

Consolidated Balance Sheets

Shinsei Bank, Limited and Consolidated Subsidiaries
September 30, 2002 and 2001, and March 31, 2002

	Millions of Yen		
	Sept. 30, 2002	Sept. 30, 2001	Mar. 31, 2002
ASSETS			
Cash and Due from Banks	¥ 274,693	¥ 400,856	¥ 342,055
Call Loans	88,100	88,527	296,559
Other Debt Purchased	158,225	33,322	68,980
Trading Assets	433,081	433,995	443,972
Money Held in Trust	218,067	71,560	172,835
Securities	2,246,089	2,026,953	1,462,281
Loans and Bills Discounted	3,883,522	5,329,108	4,801,904
Foreign Exchanges	8,624	11,085	149,251
Collateral Related to Securities Borrowing Transactions	96,505	8,021	122,394
Other Assets	423,027	395,957	364,211
Premises and Equipment	86,710	73,715	82,565
Deferred Discounts on and Issuance Expenses for Debentures	244	860	469
Deferred Tax Assets	17,202	30	17,695
Consolidation Adjustment Accounts	—	205	—
Customers' Liabilities for Acceptances and Guarantees	87,785	148,457	114,411
Reserve for Loan Losses	(322,637)	(395,662)	(370,033)
Total Assets	¥7,699,243	¥8,626,993	¥8,069,554
LIABILITIES, MINORITY INTERESTS IN SUBSIDIARIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Debentures	¥2,188,691	¥3,704,431	¥2,786,355
Deposits, Including NCDs	2,633,101	2,400,309	2,260,755
Call Money	76,887	40,032	329,900
Commercial Paper	—	—	1,000
Trading Liabilities	182,707	225,298	173,580
Borrowed Money	437,510	424,923	459,272
Foreign Exchanges	4	1,000	65
Payables under Repurchase Agreements	113,055	—	—
Collateral Related to Securities Lending Transactions	726,136	332,520	582,198
Other Liabilities	574,086	704,987	707,042
Reserve for Bonuses Payable	5,258	4,724	8,584
Reserve for Retirement Benefits	20,463	21,413	22,766
Reserve for Loss on Disposition of Premises and Equipment	159	2,768	53
Deferred Tax Liabilities	—	8,898	0
Acceptances and Guarantees	87,785	148,457	114,411
Total Liabilities	7,045,847	8,019,767	7,445,987
Minority Interests in Subsidiaries	2	29	33
Stockholders' Equity:			
Capital Stock:			
Common Stock	180,853	180,853	180,853
Preferred Stock	270,443	270,443	270,443
Capital Surplus	18,558	18,558	18,558
Retained Earnings	168,101	120,500	145,094
Net Unrealized Gain on Securities Available-for-Sale, Net of Taxes	12,488	14,420	5,790
Foreign Currency Translation Adjustments	2,948	2,419	2,794
Treasury Stock, at Cost	(0)	(0)	(0)
Total Stockholders' Equity	653,393	607,196	623,534
Total Liabilities, Minority Interests in Subsidiaries and Stockholders' Equity	¥7,699,243	¥8,626,993	¥8,069,554

See Notes to Semi-Annual Consolidated Financial Statements.

Consolidated Statements of Income

Shinsei Bank, Limited and Consolidated Subsidiaries
For the Six Months Ended September 30, 2002 and 2001, and the Year Ended March 31, 2002

	Millions of Yen		
	Sept. 30, 2002 (6 months)	Sept. 30, 2001 (6 months)	Mar. 31, 2002 (1 year)
Income:			
Interest Income:	¥ 60,226	¥ 84,610	¥155,481
Interest on Loans and Discounts	49,010	65,421	116,577
Interest and Dividends on Securities	6,744	9,978	24,213
Other Interest Income	4,471	9,210	14,690
Fees and Commissions	10,139	5,094	11,277
Trading Revenue	5,398	738	1,912
Other Operating Income	16,219	23,769	35,648
Other Income	19,826	35,915	42,241
Total Income	111,810	150,128	246,561
Expenses:			
Interest Expenses:	25,149	38,495	67,072
Interest and Discounts on Debentures	11,923	25,440	43,124
Interest on Deposits	4,985	3,259	5,398
Other Interest Expenses	8,239	9,795	18,548
Fees and Commissions	1,779	1,511	3,474
Trading Expenses	—	—	126
Other Operating Expenses	20,033	17,045	21,452
General and Administrative Expenses	34,487	33,893	69,514
Other Expenses	8,409	25,755	44,581
Total Expenses	89,859	116,702	206,221
Income before Income Taxes and Minority Interests	21,950	33,426	40,339
Income Taxes:			
Current	484	201	314
Deferred	(4,967)	—	(21,227)
Minority Interests in Net Income (Loss) of Subsidiaries	(30)	29	32
Net Income	¥ 26,464	¥ 33,195	¥ 61,219

See Notes to Semi-Annual Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

Shinsei Bank, Limited and Consolidated Subsidiaries
For the Six Months Ended September 30, 2002 and 2001, and the Year Ended March 31, 2002

	Millions of Yen		
	Sept. 30, 2002 (6 months)	Sept. 30, 2001 (6 months)	Mar. 31, 2002 (1 year)
Common Stock:			
Balance at Beginning of Period	¥180,853	¥180,853	¥180,853
Balance at End of Period	180,853	180,853	180,853
Preferred Stock:			
Balance at Beginning of Period	270,443	270,443	270,443
Balance at End of Period	270,443	270,443	270,443
Capital Surplus:			
Balance at Beginning of Period	18,558	18,558	18,558
Balance at End of Period	18,558	18,558	18,558
Retained Earnings:			
Balance at Beginning of Period	145,094	94,194	94,194
Dividends Paid	(3,457)	(6,888)	(10,319)
Net Income	26,464	33,195	61,219
Balance at End of Period	168,101	120,500	145,094
Net Unrealized Gain on Securities Available-for-Sale, Net of Taxes:			
Balance at Beginning of Period	5,790	16,341	16,341
Net Change during the Period	6,697	(1,921)	(10,551)
Balance at End of Period	12,488	14,420	5,790
Foreign Currency Translation Adjustments:			
Balance at Beginning of Period	2,794	2,455	2,455
Net Change during the Period	154	(35)	339
Balance at End of Period	2,948	2,419	2,794
Treasury Stock, at Cost:			
Balance at Beginning of Period	(0)	(0)	(0)
Balance at End of Period	(0)	(0)	(0)
Total	¥653,393	¥607,196	¥623,534

See Notes to Semi-Annual Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Shinsei Bank, Limited and Consolidated Subsidiaries
For the Six Months Ended September 30, 2002 and 2001, and the Year Ended March 31, 2002

	Millions of Yen		
	Sept. 30, 2002 (6 months)	Sept. 30, 2001 (6 months)	Mar. 31, 2002 (1 year)
I. Cash Flows from Operating Activities:			
Income before Income Taxes and Minority Interests	¥ 21,950	¥ 33,426	¥ 40,339
Depreciation	1,467	751	2,066
Net Change in Reserve for Loan Losses	(47,395)	(168,228)	(193,857)
Net Change in Other Reserve	(5,522)	5,372	7,869
Interest Income	(60,226)	(84,610)	(155,481)
Interest Expenses	25,398	38,495	67,072
Investment Loss (Gain)	8,277	(7,590)	13,935
Net Exchange Gain (Loss)	33,987	(92)	(43,987)
Net Change in Trading Assets	10,083	(51,772)	(59,286)
Net Change in Trading Liabilities	9,126	(28,385)	(80,103)
Net Change in Loans and Bills Discounted	913,140	858,212	1,403,255
Net Change in Deposits, Including NCDs	372,336	(818,525)	(958,079)
Net Change in Debentures (Other than Subordinated Debt)	(580,905)	112,307	(754,892)
Net Change in Borrowed Money (Other than Subordinated Borrowings)	6,465	42,163	35,605
Net Change in Deposits with Banks	25,576	59,642	204,466
Net Change in Call Loans, Other Debt Purchased and Collateral Related to Securities Borrowing Transactions	145,102	164,684	(193,378)
Net Change in Call Money, Commercial Paper, Payables under Repurchase Agreements and Collateral Related to Securities Lending Transactions	2,979	(83,988)	456,557
Net Change in Foreign Exchange Assets	140,626	(313)	(138,479)
Net Change in Foreign Exchange Liabilities	(61)	893	(41)
Interest Received	59,570	84,282	129,322
Interest Paid	(31,715)	(52,052)	(88,608)
Net Change in Money Held in Trust for Trading Purposes	(126,349)	29,638	(681)
Others, Net	(41,398)	192,361	242,792
Subtotal	882,513	326,670	(63,595)
Income Taxes Paid	(352)	(1,313)	(166)
Net Cash Provided by (Used in) Operating Activities	882,161	325,356	(63,761)
II. Cash Flows from Investing Activities:			
Purchase of Investments	(1,988,659)	(1,464,854)	(2,745,257)
Proceeds from Sales of Investments	204,523	577,380	1,221,613
Proceeds from Maturity of Investments	908,704	842,476	1,993,880
Purchase of Premises and Equipment	(6,779)	(59,838)	(63,258)
Proceeds from Sales of Premises and Equipment	597	15,065	15,260
Net Payment for Acquisition of New Subsidiaries and Affiliates	(5)	(876)	(1,733)
Net Cash (Used in) Provided by Investing Activities	(881,618)	(90,646)	420,505
III. Cash Flows from Financing Activities:			
Repayment of Subordinated Borrowings	(23,000)	(122,500)	(134,500)
Payment for Redemption of Subordinated Debt	(11,452)	(111,304)	(135,915)
Redemption of Foreign Bonds	—	(11,000)	(11,700)
Dividends Paid	(3,457)	(6,888)	(10,319)
Net Cash Used in Financing Activities	(37,910)	(251,693)	(292,435)
IV. Net Change in Cash and Cash Equivalents	(37,367)	(16,983)	64,308
V. Cash and Cash Equivalents at Beginning of Period	131,610	67,302	67,302
VI. Cash and Cash Equivalents at End of Period	¥ 94,243	¥ 50,319	¥ 131,610

See Notes to Semi-Annual Consolidated Financial Statements.

Notes: 1. Investments consist of securities and money held in trust.

2. Cash and cash equivalents consists of cash on hand, deposits with the Bank of Japan and non-interest-bearing deposits.

1. Basis of Presentation

The accompanying semi-annual consolidated financial statements of Shinsei Bank, Limited (the “Bank”), and its consolidated subsidiaries, stated in Japanese yen, are prepared on the basis of accounting principles and practices generally accepted in Japan and in conformity with the Banking Law of Japan, and compiled from the semi-annual consolidated financial statements prepared under the standards of the Securities and Exchange Law of Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. Accordingly, the accompanying semi-annual consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain reclassifications and rearrangements have been made to present the accompanying semi-annual consolidated financial statements in a form which is familiar to readers outside Japan. In addition, certain information normally included in the notes to the financial statements is not presented in the accompanying semi-annual consolidated financial statements. Financial statements for prior periods were reclassified to conform to the presentation in the current period. Yen amounts have been rounded off to millions of yen and the totals do not necessarily agree with the sum of the individual amounts.

2. Consolidation

The Bank applied its consolidation scope using the control and influence concept. Under the control and influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are to be fully consolidated in principle and those companies in which the Bank, directly or indirectly, is able to exercise significant influence over operations are to be accounted for by the equity method. All significant intercompany transactions, account balances and unrealized profits and losses have been eliminated in consolidation.

The number of subsidiaries and affiliates at September 30, 2002 and 2001, and March 31, 2002, are as follows:

	Number of Companies		
	Sept. 30, 2002	Sept. 30, 2001	Mar. 31, 2002
Consolidated Subsidiaries	27	16	23
Unconsolidated Subsidiary	1	—	—
Affiliates	2	3	1

3. Adoption of New Accounting Standards

Effective April 1, 2002, the Bank has adopted the Industry Audit Committee Report No. 24, “Tentative Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry,” issued by the JICPA on February 13, 2002. This pronouncement requires a change to fair value accounting from the deferral method for derivatives accounted for as a “macro hedge,” following the transitional period ending March 31, 2003.

Also, effective April 1, 2002, the Bank has adopted the Industry Audit Committee Report No. 25, “Tentative Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry,” issued by the JICPA on July 29, 2002. Under the pronouncement, fair value accounting shall be applied for fund swap and currency swap transactions, following the transitional period ending March 31, 2003.

As the Bank has adopted the transitional applications described in both the above pronouncements, there were no effects on the Bank’s semi-annual consolidated financial statements.

Since the current six-month period, the Bank has adopted Financial Accounting Standard No. 1 “Accounting Standard for Treasury Stock and Reversal of Legal Reserves” issued by Accounting Standards Board of Japan on February 21, 2002. There was no effect on the Bank’s semi-annual consolidated financial statements for the current six-month period, following the adoption of this standard.

Non-Consolidated Balance Sheets

Shinsei Bank, Limited
September 30, 2002 and 2001, and March 31, 2002

	Millions of Yen		
	Sept. 30, 2002	Sept. 30, 2001	Mar. 31, 2002
ASSETS			
Cash and Due from Banks	¥ 274,735	¥ 484,089	¥ 376,301
Call Loans	88,100	88,527	296,559
Commercial Paper and Other Debt Purchased	105,025	252	2,798
Trading Assets	564,724	627,426	591,014
Money Held in Trust	253,603	71,509	130,328
Securities	2,264,287	2,045,288	1,493,048
Loans and Bills Discounted	4,000,463	5,447,750	5,012,174
Foreign Exchanges	8,624	11,085	149,251
Collateral Related to Securities Borrowing Transactions	96,505	8,021	122,394
Other Assets	410,249	363,940	345,069
Premises and Equipment	22,019	16,476	17,375
Deferred Discounts on and Issuance Expenses for Debentures	217	660	345
Deferred Tax Assets	17,086	—	17,644
Customers' Liabilities for Acceptances and Guarantees	139,242	285,581	183,783
Reserve for Loan Losses	(323,109)	(397,014)	(371,461)
Total Assets	¥9,921,775	¥9,053,596	¥8,366,626
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Debentures	¥2,154,345	¥3,585,264	¥2,735,251
Deposits, Including NCDs	2,688,117	2,586,560	2,384,032
Call Money	76,887	40,032	329,900
Commercial Paper	—	—	1,000
Trading Liabilities	319,231	444,226	347,667
Borrowed Money	463,631	536,561	515,061
Foreign Exchanges	39	1,039	66
Payables under Repurchase Agreements	113,055	—	—
Collateral Related to Securities Lending Transactions	726,136	332,520	582,198
Other Liabilities	565,646	605,340	639,750
Reserve for Bonuses Payable	4,416	4,563	7,802
Reserve for Retirement Benefits	20,432	21,376	22,732
Reserve for Loss on Disposition of Premises and Equipment	159	2,693	53
Deferred Tax Liability	—	8,898	—
Acceptances and Guarantees	139,242	285,581	183,783
Total Liabilities	7,271,341	8,454,658	7,749,299
Stockholders' Equity:			
Capital Stock:			
Common Stock	180,853	180,853	180,853
Preferred Stock	270,443	270,443	270,443
Capital Surplus	18,558	18,558	18,558
Retained Earnings	168,091	114,663	141,687
Net Unrealized Gain on Securities Available-for-Sale, Net of Taxes	12,487	14,419	5,785
Treasury Stock, at Cost	(0)	(0)	(0)
Total Stockholders' Equity	650,434	598,938	617,327
Total Liabilities and Stockholders' Equity	¥9,921,775	¥9,053,596	¥8,366,626

Non-Consolidated Statements of Income

Shinsei Bank, Limited
For the Six Months Ended September 30, 2002 and 2001, and the Year Ended March 31, 2002

	Millions of Yen		
	Sept. 30, 2002 (6 months)	Sept. 30, 2001 (6 months)	Mar. 31, 2002 (1 year)
Income:			
Interest Income:	¥ 65,190	¥ 85,269	¥163,060
Interest on Loans and Discounts	50,103	65,365	117,813
Interest and Dividends on Securities	10,444	10,174	29,518
Other Interest Income	4,641	9,729	15,729
Fees and Commissions	8,949	4,442	10,908
Trading Revenue	1,072	619	561
Other Operating Income	2,488	8,182	10,448
Other Income	29,567	38,808	46,143
Total Income	107,267	137,321	231,123
Expenses:			
Interest Expenses:	25,522	40,521	70,508
Interest and Discounts on Debentures	11,255	22,312	38,375
Interest on Deposits	5,371	5,032	8,417
Other Interest Expenses	8,894	13,175	23,716
Fees and Commissions	1,742	1,488	3,441
Trading Expenses	386	—	300
Other Operating Expenses	17,019	5,606	8,210
General and Administrative Expenses	32,875	32,433	66,867
Other Expenses	4,762	26,905	42,121
Total Expenses	82,308	106,954	191,450
Income before Income Taxes	24,958	30,367	39,672
Income Taxes:			
Current	14	83	137
Deferred	(4,918)	—	(21,204)
Net Income	¥ 29,862	¥ 30,283	¥ 60,738

Corporate Information

Established
1952

Fiscal Year
From April 1 to March 31

Paid-in Capital
¥451,296 million

Number of Shares Authorized
Common Stock:
5,000,000,000
Preferred Stock:
674,528,000

Number of Shares Issued
Common Stock:
2,717,075,212

Preferred Stock:
Series 2 74,528,000
Series 3 600,000,000

Number of Stockholders
4

Stockholders
New LTCB Partners C.V.
Deposit Insurance
Corporation of Japan
Resolution and Collection
Corporation
GGR Cayman L.P.
(As of September 30, 2002)

Network

Americas:
New York Representative
Office
Grand Cayman Branch
Shinsei Bank Finance N.V.

Domestic:
Head Office (Tokyo)
Sapporo Branch
Sendai Branch
Kanazawa Branch
Omiya Branch
Tokyo Branch
Ikebukuro Branch
Ueno Branch
Kichijoji Branch
Shinjuku Branch

Hibiya Branch
Roppongi Branch
Shibuya Branch
Hiroo Branch
Meguro Branch
Hachioji Branch
Yokohama Branch
Fujisawa Branch
Nagoya Branch
Kyoto Branch
Osaka Branch
Umeda Branch
Namba Branch
Kobe Branch
Hiroshima Branch
Takamatsu Branch
Fukuoka Branch
(As of January 31, 2003)



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